**CA Foundation – May 2019**

**Question Paper**

**Marks 100 Time : 2 Hours**

# "BUSINESS ECONOMICS"

1. **Applied economics includes \_\_\_\_\_\_\_\_\_\_**
   1. Regression analysis and mathematical linear programming
   2. Capital budgeting
   3. **Both a and b**
   4. None
2. **Macroeconomics include \_\_\_\_\_\_\_\_\_\_**
   1. Product pricing (b) Consumer Behavior

**(c) External value of money** (d) Location of industry

1. **Shyam : This year due to heavy rainfall my onion crop was damaged Krishna : Climate affects crop yields. Some years are bad, others are good**

Hari : Don’t worry. Price increase will compensate for the fall in quantity supplied. Radhe : The Government ought to guarantee that our income will not fall.

In this conversion, the normative statement is made by

* 1. Shyam (b) Krishna

(c) Hari **(d) Radhe**

1. **Socialism Ensures**
   1. Rapid growth and balanced development
   2. **Right to work**
   3. Incentives for efficient economic decisions
   4. Both a and b
2. **A capitalist economy consists of \_\_\_\_\_\_\_\_\_\_**
   1. Central planning authority
   2. **A mechanism to decide as what, how and for whom to produce**
   3. Both a & b
   4. None of the above
3. **Freedom of choice is the advantage of \_\_\_\_\_\_\_\_\_**
   1. Socialism **(b) Capitalism**

(c) Mixed Economy (d) None of the above

1. **Socialist economy is \_\_\_\_\_\_\_\_\_**
   1. Self regulating
   2. Profit oriented
   3. **Command economy**
   4. Allocation of resources as per market requirements
2. **Exploitation and inequality will be more in \_\_\_\_\_\_\_\_\_\_**
   1. Socialism **(b) Capitalism**

(c) Mixed (d) All of the above

1. **Business Economics is**
   1. Normative in nature (b) Interdisciplinary in nature

**(c) Both** (d) None

1. **If price decreases from Rs. 80 to Rs. 60 and elasticity of demand is 1.25 then**
   1. **demand increase by 25%** (b) Demand decreases by 25%

(c) Remains Constant (d) None of the above

1. **Which of the following is correct?**
   1. Elasticity on lower segment of demand curve is greater than unity
   2. Elasticity on upper segment of demand curve is lesser than unity
   3. **Elasticity at the middle of demand curve is equal to unity**
   4. Elasticity decreases as one move from lower part of demand curve to upper part.
2. **If maize has –0.30 as income elasticity of demand, then maize will be considered as \_\_\_\_\_**
   1. Necessity **(b) Inferior good**

(c) Superior good (d) None

1. **Contraction of supply implies \_\_\_\_\_\_\_\_**
   1. Decrease in cost of production
   2. **Decrease in price of the good concerned**
   3. Decrease in price of related good
   4. Increase in price of the good concerned
2. **Perishable commodities will have \_\_\_\_\_\_**
   1. Perfectly elastic curve **(b) Perfectly inelastic curve**

(c) Elastic (d) Inelastic

1. **Which of the following statement is correct?**
   1. **Supply is inversely related to its cost of production**
   2. Price and quantity demand of a good have direct relation ship
   3. Taxes and subsidy has no impact on the supply of the product
   4. Seasonal changes have no impact on the supply of the commodity
2. **In case of \_\_\_\_\_\_\_ goods, there is an inverse relationship between income and demand for a product.**
   1. substitute goods (b) Complementary Goods

(c) Giffen Goods **(d) None of the above**

1. **Which of the following will affect the demand for non-durable goods?**
   1. Disposable Income (b) Price

(c) Demography **(d) All of the above**

1. **When the price of tea decreases, people reduces the consumption of coffee. Then the goods are**
   1. Complementaries **(b) Substitutes**

(c) Inferior goods (d) Normal goods

1. **The price elasticity of demand at the midpoint of the straight line demand curve under point method is \_\_\_\_\_\_\_\_\_**

(a) 0 **(b) 1**

(c) >1 (d) <1

1. **Which of the following relation is true with MU?**
   1. When MU is positive, Total utility rises at a diminishing rate
   2. When marginal utility is zero, total utility is maximum.
   3. When marginal utility is negative, total utility is diminishing
   4. **All of the above**
2. **Which of the following is/ are the condition/s of theory of consumer surplus if price is same for all units he purchased?**
   1. Consumer gains extra utility or surplus
   2. Consumer surplus for the last commodity is zero
   3. **Both**
   4. None
3. **When the supply of a product is perfectly inelastic then the curve will be**
   1. **Parallel to y – axis** (b) parallel to x – axis

(c) At the angle of 45o (d) Sloping upwards

1. **The consumer is in equilibrium when the following condition is satisfied:**
   1. Budget line is the tangent to the IC Curve (b)

*MUX*

*PX*

 *MUY PY*

 *MUz*

*Pz*

**(c) Both a & B** (d) None of the above

1. **Which of the following is not the property of indifference curve?**
   1. Slopes downwards to the right (b) Always convex to the orgin

**(c) Intersects each other** (d) Will not touch either of the axis

1. **Marginal average and total product of a firm in the short run will not comprise with \_\_\_\_\_\_**
   1. **When marginal product is at a maximum, average product is equal to marginal product, and total product is rising**
   2. When average product is maximum,. Average product is equal to marginal product, and total product is rising
   3. When marginal product is negative, total product and average product are falling.
   4. When total product is increasing, average product and marginal product may be either rising or falling.
2. **When increase in demand is equal to increase in supply and equilibrium price remains constant, then what about equilibrium quantity?**
   1. **Increases** (b) Decreases

(c) Remains constant (d) None of the above

1. **When price is Rs. 20, Quantity demand is 10 units and price is decreased by 5% then quantity demand increased by 10% then Marginal revenue is \_\_\_\_\_\_\_\_\_\_\_\_**

**(a) Rs. 10** (b) Rs. 11

(c) Rs. 9 (d) Rs. 20

1. **A firm producing 15 units of output has average cost of Rs. 250 and Rs. 125 as per unit cost for fixed factors of production. Then average variable cost will be \_\_\_\_\_\_\_\_**

(a) 180 (b) 150

**(c) 125** (d) None of the above

1. **Opportunity cost is \_\_\_\_\_\_\_\_\_**
   1. Recorded in the books of accounts **(b) Sacrificed alternative**

(c) Both a & B (d) None of the above

1. **Which of the following is considered as production in economics ?**
   1. Helping a blind person in crossing the road
   2. Group dance performance in a college annual function
   3. Holding a child who is falling from a wall
   4. **Performing an art in a theatre**
2. **Diminishing marginal returns implies\_\_\_\_\_\_\_\_\_\_**
   1. Decreasing average fixed cost (b) Decreasing average variable cost

(c) Decreasing marginal cost **(d) Increasing marginal cost**

1. **Given the relation MR =**

 *e* – 1 if the demand for a product is unitary elastic then \_\_\_\_\_

*P* 

 *e* 

* 1. **MR = 0** (b) MR >0

(c) MR < 0 (d) None of the above

1. **Which of the following is true, when the firm is at a equilibrium ?**
   1. MC < MR **(b) MC Curve cuts the MR curve from below**

(c) Both a & b (d) None of the above

1. **If a Perfectly competitive firm earns supernormal profits then\_\_\_\_\_\_\_**
   1. AR > MR (b) AR < MR

(c) AR = MR **(d) None of the above**

1. **Kinked demand curve is \_\_\_\_\_\_\_\_\_**
   1. Highly elastic at above the prevailing price
   2. Inelastic at below the prevailing price
   3. **both a & b**
   4. None of the above
2. **Which is the characteristic feature of monopoly ?**
   1. Homogeneous goods **(b) Strong barriers to entry**

(c) Perfect Competition (d) Perfectly elastic demand curve

1. **Price discrimination is possible only in\_\_\_\_\_\_\_\_**
   1. **Monopoly** (b) Perfect competition

(c) Oligopoly (d) Monopolistic competition

1. **What is the characteristic of monopolistic competition?**
   1. Price elasticity is low for the product concerned
   2. **Large number of sellers**
   3. No degree of control over price
   4. One buyer
2. **When TR is at its peak then MR is equal to \_\_\_\_\_\_**
   1. **Zero** (b) Positive

(c) Negative (d) None of the above

1. **Market consists of \_\_\_\_\_\_\_\_\_**
   1. Buyer and seller (b) One Price for one product at a given time

**(c) Both a and b** (d) None

1. **According to behavioral Principles.**
   1. A firm should not produce at all its total variable costs are not met.
   2. A firm will be making maximum profits by expanding output to the level where marginal revenue is equal to marginal cost.
   3. **Both (a) and (b)**
   4. None of these
2. **Monopsony means**
   1. Where there are large firms **(b) There is a single buyer**

(c) Small number of large buyers (d) Single seller and single buyer

1. **A discriminating monopolist to reach equilibrium position, his decision on total output depends upon \_\_\_\_\_\_\_\_**
   1. How much total output should be produce
   2. How the total output should be distributed between the two sub-lmarkets?
   3. **Both a & b**
   4. None of these
2. **Demand curve is horizontal in the case of \_\_\_\_\_\_\_**
   1. Monopoly **(b) Perfect competition**

(c) Imperfect competition (d) Monopolistic Competition

1. **Which is not the characteristic feature of expansion phase in business cycle?**
   1. Increase in national output **(b) Unemployment**

(c) Rise in price and costs (d) Boost in business confidence

1. **Business Cycle occurs**
   1. Periodically (b) In different phases

**(c) Both a & b** (d) None of the above

1. **Which of the following is not the phase of business cycles?**
   1. Prosperity (b) Upswing

**(c) Reconstruction** (d) Depression

1. **“Modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism”, according to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
   1. **Pigou** (b) Keynes

(c) Hawtrey (d) Schumpeter

1. **Economic activities will be declining in the phase of \_\_\_\_\_\_\_\_**
   1. Expansion (b) Depression

**(c) Contraction** (d) Peak

1. **Due to recession, employment rate \_\_\_\_\_\_\_\_ and output \_ .**
   1. Rises; rises **(b) Falls; falls**

(c) Rises ; falls (d) Falls; rises

1. **The internal causes of business cycle is**
   1. **Fluctuation in effective demand** (b) Technology shocks

(c) Both a & b (d) None

1. **According to some economists, are the prime causes of business cycles.**
   1. Fluctuations in aggregate demand (b) Fluctuations in investments

(c) Macroeconomic policies **(d) All of the above**

1. **Boom and depression in business cycle are \_\_\_\_\_\_\_**
   1. **Turning points** (b) Equilibrium points

(c) Both a & b (d) None of the above

1. **Which is not related to great depression of 1930?**
   1. It started in USA
   2. John Maynard Keynes regarded lower aggregate expenditure as the cause
   3. **Excess Money supply**
   4. Both a & b
2. **Economic goods are considered as scarce resources because \_\_\_\_\_\_\_**
   1. **Inadequate quantity to satisfy the needs of the society**
   2. Not Possible to increase in quantity
   3. Limited hands to make goods
   4. Primary importance in satisfying social requirements
3. **Which of the following is true about leading indicators?**
   1. **Measurable economic factors** (b) Changes after real output

(c) Both (a) and (b) (d) None

1. 57.
2. 58.
3. 59.
4. 60.

# "BUSINESS & COMMERCIAL KNOWLEDGE"

1. **The attribute of a profession does not include**
   1. Rendering of specialized nature of services
   2. **Certificate of service from government**
   3. Self imposed code of conduct
   4. All of the above
2. **The Companies Act, 2013 provides registration for**
   1. One person Company (b) Small Company

(c) Defunct Company **(d) All of the above**

1. **Which of the following is not a feature of LLP**
   1. Legal entity separate from its partners
   2. No limit on maximum no of partners
   3. Every Partner is agent of LLP
   4. **Register of firm is the administering authority**
2. **Which of the following is organic objective of business**
   1. Economic Value added **(b) Fitness of Human resource**

(c) Community Service (d) Effective waste handling and disposal

1. **Business as institution is \_\_\_\_\_\_\_\_**
   1. **Job Creator** (b) Job seeker

(c) Both (d) None of the above

1. **Which of the following is part of HUF?**
   1. Hindu and Sikh family (b) Parsi Family

**(c) Both a & b** (d) None of the above

1. **Which of the following statement is correct with respect to HUF**
   1. HUF earns income from salary
   2. Four successive generations of an undivided
   3. **HUF enjoys a separate entity status under Income tax act –1961**
   4. All of the above
2. **PESTLE analysis does not include**
   1. **Policy** (b) Technology

(c) Legal (d) Economic

1. **What is not a characteristic of business environment**
   1. Complex **(b) Static**

(c) Multi-faced (d) Far reaching

1. **Macro Environment includes \_\_\_\_\_\_**
   1. Strength (b) Weakness

**(c) Opportunity** (d) All of the above

1. **Internal Environment includes\_\_\_\_\_\_**
   1. Customer (b) Economic

(c) Demography **(d) Mission & Objectives**

1. **Cost Structure of an industry is effected by own bargaining power.**
   1. Consumer (b) Intermediary

**(c) Suppliers** (d) Organizations

1. **Opportunity is**
   1. Inherent capacity (b) Strategic disadvantage

**(c) Favourable condition** (d) None of the above

1. **Competition brings direct benefit to**
   1. **Customers** (b) Suppliers

(c) Intermediaries (d) Government

1. **Which of the following is not related to ITC Limited**
   1. **Vishal Sikha** (b) 1910

(c) Kolkata (d) Yogesh Chander Deveshwar

1. **Walmart slogan**
   1. **Save money. Live better** (b) Happy life. Good food

(c) Better food. Low cost (d) Good Food. Good life

1. **What happened in Microsoft in the year 2014**
   1. Satya Nadella succeded on Steve Ballmer (b) Acquired Hardware division of NOKIA

**(c) Both (a) & (b)** (d) None of the above

1. **The Headquarter of Nestle is in**
   1. **Vevey, Switzerland** (b) Basel, Switzerland

(c) Zurich, Switzerland (d) Interlaken, Switzerland

1. **Who is chairman of Infosys?**
   1. **Nandan Nilakeni** (b) Vishal Sikha

(c) K.V. Kamanth (d) Sudha Murthy

1. **Who is the present MD & CEO of ICICI Bank**
   1. Chanda Kochar (b) Shika Sharma

(c) M.K. Sharma **(d) Sandeep Bakshi**

1. **The first appeal of Securities Exchange Board of India**
   1. Supreme Court (b) High Court

(c) Securities Appellate Tribunal (d) RBI

1. **Which of the following body has been dissolved recently**
   1. **Planning Commission**
   2. National Statistics Commission
   3. Competition Commission of India
   4. Foreign Institution Promotion board
2. **Which of the following is not a function of RBI**
   1. Monetary Policy
   2. **Fiscal Policy**
   3. Custodian of Foreign Exchange reserves
   4. Controller of Credit
3. **Who was the regulatory body for controlling financial affairs before SEBI**
   1. **Controller of Capital Issues**
   2. Reserve Bank of India
   3. Insurance Regulatory and Development authority of India
   4. Government of India
4. **Which of the following is not a subsidiary of Indian Oil Corporation Ltd.**
   1. Chennai Petroleum Ltd.
   2. **Brahamputra Cracker and Polymer Ltd.**
   3. Indian Oil – CREDA Biofuels Ltd.
   4. Indian Catalyst Private Ltd.
5. **Which of the following is Return on investment**
   1. Dividend (b) Interest

**(c) Yield** (d) None of the above

1. **The opposite of bid is\_\_\_\_\_\_\_\_**
   1. **Ask/Offer** (b) Call

(c) Purchase (d) None of the above

1. **Personal selling is done through**
   1. **Oral communication** (b) Written communication

(c) Social media (d) Sign language

1. **Carry forward of a transaction from one settlement period to other is**
   1. **Badla** (b) Repo

(c) open Interest (d) None of the above

1. **Bull Market is Called \_\_\_\_\_\_\_\_\_\_**
   1. **A market in which stock price is increasing consistently**
   2. A market in which stock price is decreasing consistently
   3. Both a & b
   4. None of the above
2. **When two companies come together to expand their business operation in a newly created entity.**
   1. Joint Venture (b) Acquisition

(c) Partnership **(d) Merger**

1. **SEBI, RBI & IRDA are**
   1. **Regulatory Bodies** (b) Cluster Bodies

(c) Goal Sector bodies (d) None of the above

1. **SEBI function consists of**
   1. Quasi Legislative (b) Quasi judicial

**(c) both a & B** (d) None of the above

# "BUSINESS ECONOMICS AND BUSINESS & COMMERCIAL KNOWLEDGE"

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | **C** | 21 | **C** | 41 | **C** | 61 | **B** | 81 | **C** |
| 2 | **C** | 22 | **A** | 42 | **B** | 62 | **D** | 82 | **A** |
| 3 | **D** | 23 | **C** | 43 | **C** | 63 | **D** | 83 | **B** |
| 4 | **B** | 24 | **C** | 44 | **B** | 64 | **B** | 84 | **A** |
| 5 | **B** | 25 | **A** | 45 | **B** | 65 | **A** | 85 | **B** |
| 6 | **B** | 26 | **A** | 46 | **C** | 66 | **C** | 86 | **C** |
| 7 | **C** | 27 | **A** | 47 | **C** | 67 | **C** | 87 | **A** |
| 8 | **B** | 28 | **C** | 48 | **A** | 68 | **A** | 88 | **A** |
| 9 | **C** | 29 | **B** | 49 | **C** | 69 | **B** | 89 | **A** |
| 10 | **A** | 30 | **D** | 50 | **B** | 70 | **C** | 90 | **A** |
| 11 | **C** | 31 | **D** | 51 | **A** | 71 | **D** | 91 | **D** |
| 12 | **B** | 32 | **A** | 52 | **D** | 72 | **C** | 92 | **A** |
| 13 | **B** | 33 | **B** | 53 | **A** | 73 | **C** | 93 | **C** |
| 14 | **B** | 34 | **D** | 54 | **C** | 74 | **A** | 94 |  |
| 15 | **A** | 35 | **C** | 55 | **A** | 75 | **A** | 95 |  |
| 16 | **D** | 36 | **B** | 56 | **A** | 76 | **A** | 96 |  |
| 17 | **D** | 37 | **A** | 57 |  | 77 | **C** | 97 |  |
| 18 | **B** | 38 | **B** | 58 |  | 78 | **A** | 98 |  |
| 19 | **B** | 39 | **A** | 59 |  | 79 | **A** | 99 |  |
| 20 | **D** | 40 | **C** | 60 |  | 80 | **D** | 100 |  |